

Solution: **Social Business** Industry: **Financial Markets**

# The Entrex Capital Market

How a trading platform is helping make the world a better place

The US government's Opportunity Zone program aims to drive investments in low-income communities, or "opportunity zones." Recognizing that most businesses in these zones are too small for traditional public markets, Entrex built an alternative trading platform, powered by IBM® Domino® and Hyperledger software, to make it easier for opportunity zone companies and funds to access local capital.

Share this   

## Business Challenge

Most opportunity zone projects are too small for Wall Street. As such, private companies lose the benefits of public trading, and poor communities are deprived of development. The Entrex Capital Market sought to fix this.

## Transformation

Entrex built a nationwide capital market system that helps investors and advisors find, research, track, manage and trade securities of private companies and funds within opportunity zones.

## Results

Reduces launch time by two-thirds, from months to days by enabling constituents of a company's offering to collaborate online

Brings together buy-side and sell-side stakeholders of transactions, creating powerful network effects

Delivers a complete audit trail of all transactions helping manage regulatory compliance

## Business challenge story

### A disconnected market for investing

Next time you see a revitalized neighborhood or a block of prospering small businesses, Entrex, [IBM Domino](#) software and [Hyperledger Fabric](#) technology might have had something to do with it.

Here's the backstory: In 2017, the US Tax Cuts and Jobs Act (TCJA) introduced a community development program called Opportunity Zones. Designated by the government across 50 states, opportunity zones are low-income, economically distressed communities. The aim of the federal program is to spur development in these struggling areas by offering *tax breaks* to *investors* who reinvest their capital gains in private companies and funds in the designated zones.

According to *Forbes Magazine*, the program could drive as much as USD 6 trillion in unrealized capital gains into these communities — opportunities that should catch the attention of Wall Street.

But it hasn't been.

The problem is a disconnect in the market: Wall Street struggles to efficiently invest in small local businesses with annual revenues of less than USD 200 million. Meanwhile, the majority of opportunity zone investing is in funds or businesses of just this size.

That's where Entrex comes in.

Stephen H. Watkins, Founder and Chief Executive Officer at Entrex, explains: "Even though small and midsize businesses are among the nation's largest employers and generate steady profits year after year, it's often difficult for them to secure the investments they need to take their growth to the next level. This is a significant portion of the market that wasn't being served by Wall Street broker-dealers and financial advisors, and we wanted to address it."

Specifically, Entrex envisioned an alternative trading system that would simplify how investors and brokers offered capital to local entrepreneurial companies.

"We wanted to empower businesses to trade securities in a way similar to the public markets," continues Watkins. "Our goal was to offer an end-to-end solution, from the originating brokers at the start of the process to the placement deal brokers, investors and secondary traders further downstream. But because we operate in a highly regulated industry, it was also crucial that our new platform could deliver a complete audit trail of all transactions for regulatory and compliance purposes.

"So we set out to find a solution with the security and scalability we needed to meet our goals."

“With Domino and Hyperledger applications, we can bring together everyone involved in creating and trading our securities in a way that’s transparent to regulators.”

—Stephen H. Watkins, Founder and Chief Executive Officer, The Entrex Capital Market

## Transformation story

### A capital market system for entrepreneurs

Watkins didn’t have to look far.

Entrex built a capital markets platform based on [IBM Notes®](#), IBM Domino and [IBM Blockchain](#) technologies that helps investors find, research, track, manage and trade securities in the small and midsize business (SMB) sector. The trades that brokers execute on the platform are replicated seamlessly across the blockchain network based on the Hyperledger Fabric framework from the Linux Foundation.

“I had a great deal of experience working with Domino in prior companies, so I knew it would meet our needs around security, scalability and rapid application development flexibility,” comments Watkins. “Better still, Entrex had been using the IBM platform for email and calendaring prior to the capital markets project, so we already had a substantial amount of the infrastructure in place.”

He continues, “I serendipitously met Thomas Hatfield, the chief technologist of our system. Thomas understood the flexibility of Domino through his 40 years of technology expertise. He shared my enthusiasm for the Domino rapid application development and collaboration capabilities as we built what customers, investors and regulators needed to deliver our mission.”

Entrex kicked off its capital markets initiative by developing a CRM application so that it could manage inquiries from its originating brokers. The brokers share details about companies interested in offering securities.

“When we started receiving up to 18 broker inquiries a day, we quickly realized we needed a smarter way to process our business data,” says Watkins. “We developed an IBM Domino database that lets us identify the leads with the greatest potential and the brokers who send

them. This helps us not only fast-track the best prospects but also cultivate long-term, valuable relationships with our community of brokers.”

The company also uses Domino applications to manage the full lifecycle of its securities trading, and [IBM XPages](#) technology to power its web portal and develop web reports. Originating brokers use the reports to present revenue participation illustrations to their potential customers.

“If a company decides to go forward with an offering, the originating broker can upload all the necessary documentation to a secure content management environment we call a workbox,” explains Watkins. “Any representation we make on a client’s behalf has to be consistent, concise and pursuant to the appropriate regulations. By using these workboxes — which are also powered by Domino applications — all the accountants, lawyers and financial advisors involved in the transaction can review the materials from a single, secure access point.”

After Entrex has structured a security, it makes a subset of the documents in the workbox available to broker-dealers, helping them perform vital compliance checks. When a dealer sells a security to an investor, the buyer can log in to the web portal to see his share ownership, track the company’s monthly performance and place sell and buy orders.

“With Domino applications, we can bring together everyone involved in creating and trading our securities in a way that’s transparent to regulators,” says Watkins.

“Thomas Hatfield, our chief technologist, and I had a great deal of experience working with Domino and XPages in prior companies, so we knew it would meet our needs around security, scalability and rapid application development flexibility. Pushing this out to Hyperledger creates a whole cryptographic standard for private company securities.”

—**Stephen H. Watkins, Founder and Chief Executive Officer, The Entrex Capital Market**

## Results story

### Public trading benefits for private companies

Today, the Entrex capital markets system is driving significant growth not only for Entrex but also for the SMB customers who trade on its exchange.

“We now have more than 3,900 originating brokers and 1,900 institutional investors active on our platform, which is helping us create a thriving investment community,” says Watkins. “Through Domino and XPages we allow all the constituents of a company’s offering to collaborate together online. This reduces launch time significantly, from months to days.” Or, stated another way, in two-thirds less time.

By using Domino applications, Entrex also managed regulatory compliance and promoted platform security. “The private companies and funds of opportunity zones have complex legal and tax compliance issues to adhere to for investors to maintain the 10-year tax benefits,” comments Watkins. The platform not only manages the complexities of transfers and trades required by the Internal Revenue Service (IRS) but also the compliance needs of the Securities and Exchange Commission. The system runs on-premises at the company’s data center in the US.

“Thanks to our IBM solutions, we’re offering all the benefits of public trading to the world of private companies,” says Watkins, who’s already preparing for the future.

“The decentralized nature of the blockchain will enable us to connect global securities with a community of global investors,” Watkins concludes. “IBM Domino and Blockchain will continue to play a key role in the evolution of our business for years to come — and we’re extremely excited by what the future holds.”

“Thanks to our IBM solutions, we’re offering all the benefits of public trading to the world of private companies.”

—Stephen H. Watkins, Founder and Chief Executive Officer, The Entrex Capital Market



## About The Entrex Capital Market

Founded in 2001 and headquartered in the US in Boca Raton, Florida, [Entrex](#) enables opportunity zone companies and funds to access capital while providing investors with control and transparency and helping them manage compliance. The company's mission is to be the capital market for opportunity zone investing. Entrex simplifies investments in opportunity zone companies and funds by providing a capital market for exposure, credibility and liquidity.

## Take the next step

To learn more about the IBM solutions featured in this story, please contact your IBM representative or IBM Business Partner, or visit the following websites:

- [Hyperledger Fabric](#)
- [IBM® Blockchain](#)
- [IBM Domino®](#)
- [IBM Notes®](#)
- [IBM XPages](#)

Print

View more client stories

Contact IBM

© Copyright IBM Corporation 2019. IBM Corporation, IBM Talent Solutions, New Orchard Road, Armonk, NY 10504

Produced in the United States of America, March 2019.

IBM, the IBM logo, ibm.com, Domino, and Notes are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the web at “Copyright and trademark information” at [www.ibm.com/legal/copytrade.shtml](http://www.ibm.com/legal/copytrade.shtml).

Linux is a registered trademark of Linus Torvalds in the United States, other countries, or both.

This document is current as of the initial date of publication and may be changed by IBM at any time. Not all offerings are available in every country in which IBM operates.

The performance data and client examples cited are presented for illustrative purposes only. Actual performance results may vary depending on specific configurations and operating conditions. THE INFORMATION IN THIS DOCUMENT IS PROVIDED “AS IS” WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTY OR CONDITION OF NON-INFRINGEMENT. IBM products are warranted according to the terms and conditions of the agreements under which they are provided.

The client is responsible for ensuring compliance with laws and regulations applicable to it. IBM does not provide legal advice or represent or warrant that its services or products will ensure that the client is in compliance with any law or regulation.

Statement of Good Security Practices: IT system security involves protecting systems and information through prevention, detection and response to improper access from within and outside your enterprise. Improper access can result in information being altered, destroyed, misappropriated or misused or can result in damage to or misuse of your systems, including for use in attacks on others. No IT system or product should be considered completely secure and no single product, service or security measure can be completely effective in preventing improper use or access. IBM systems, products and services are designed to be part of a lawful, comprehensive security approach, which will necessarily involve additional operational procedures, and may require other systems, products or services to be most effective. IBM DOES NOT WARRANT THAT ANY SYSTEMS, PRODUCTS OR SERVICES ARE IMMUNE FROM, OR WILL MAKE YOUR ENTERPRISE IMMUNE FROM, THE MALICIOUS OR ILLEGAL CONDUCT OF ANY PARTY.